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Unveiling Psychological Drivers of Retirement Planning: Mediating Role of Retirement Goal Clarity

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Abstract

Purpose – This paper aims to investigate how factors such as attitude toward retirement, financial risk tolerance, financial self-efficacy, future time perspective, and social group support influence individuals' retirement planning. Furthermore, the study examines the mediating role of retirement goal clarity in linking these psychological factors to retirement planning behaviors.

Design/methodology/approach – This paper employed a descriptive and causal research design to investigate the psychological determinants of retirement planning behavior. Structured questionnaires were used to collect data from 426 salaried professionals working in the service sector of the Kathmandu Valley. A purposive sampling method was adopted to ensure the selection of respondents relevant to the study objectives.

Findings – The results reveal that psychological determinants—including attitude toward retirement, financial risk tolerance, financial self-efficacy, future time perspective, and social group support—have significant impacts on retirement planning behavior. Notably, retirement goal clarity was found to play a mediating role, strengthening the relationships between these psychological factors and individuals' retirement planning actions.

Conclusion – This paper underscores the critical influence of psychological factors on retirement planning behavior among salaried professionals. The findings highlight not only the direct effects of these determinants but also the central role of retirement goal clarity in shaping effective retirement preparation. These insights contribute to a deeper understanding of how individuals in developing economies approach retirement planning and offer valuable directions for improving financial preparedness.

Implication – The results provide actionable insights for financial advisors, policymakers, and educators. By integrating psychological considerations into workplace training and financial education programs, stakeholders can design tailored interventions that promote retirement goal clarity and enhance financial preparedness. Such initiatives are especially crucial in developing economies, where structured support for retirement planning is often limited.

Originality/value – This paper offers a novel contribution by examining the financial planning behavior of salaried professionals within the context of a developing economy—an area often underexplored in the literature. The study presents a comprehensive framework for enhancing retirement planning through targeted educational and policy interventions.

Keywords – Developing economies, Financial well-being, Goal clarity, Psychological determinants, Retirement planning behavior

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1. Introduction

Retirement planning has become a global concern, gaining prominence due to shifting demographic trends, economic uncertainties, and increasing life expectancy (Sinha & Irala, 2024). The transition from active employment to retirement brings not only financial challenges but also psychological and social adjustments that require strategic preparation. With aging populations expanding worldwide, the need for effective retirement planning has become a necessity rather than an option (United Nations, 2023; Zhang & Schmid, 2023). Sound financial preparation not only ensures post-retirement income security but also supports broader well-being, including physical health, mental health, and social engagement (Ghadwan et al., 2023).

Financial planning is widely recognized as a cornerstone of successful retirement in both developed and developing economies (Adhikari et al., 2024). In industrialized nations, financial literacy and proactive financial behavior are key drivers of positive retirement outcomes (Hershey et al., 2012; Topa et al., 2018). However, in developing countries, low levels of financial literacy leave individuals more vulnerable to financial insecurity later in life (Adhikari et al., 2024; Niu & Zhou, 2017). This disparity underscores the urgency of promoting financial education to improve long-term savings, investment practices, and asset management (Chaudhary et al., 2024; Ghimire & Adhikari, 2023; Ugwu & Idemudia, 2023).

The sustainability of pension systems, both public and private, has become a pressing issue due to rising life expectancy and increasing dependency ratios (Farrar et al., 2018). Many retirees now face the risk of outliving their savings, exacerbated by inadequate financial preparedness (Tomar et al., 2021). Beyond financial factors, the psychological dimension of retirement is equally critical, as individuals experience a range of emotions from anxiety and uncertainty to anticipation and relief (Ujoatuonu et al., 2023). While some retirees struggle with the loss of work identity and social connections, others see retirement as an opportunity for personal growth and leisure (She et al., 2023). Retirement planning behavior is shaped by multiple psychological and social factors. A strong future time perspective has been linked to proactive saving and investment (Rolison et al., 2013), while financial self-efficacy—confidence in managing one's financial resources—has emerged as a key predictor of financial preparedness (Tang, 2021). Individuals with higher financial risk tolerance are more inclined to engage in long-term investment strategies that enhance retirement security (Mubaraq et al., 2021; Chaudhary et al., 2025). Social group support also plays a critical role: individuals who receive encouragement and advice from peers, family, and financial professionals tend to exhibit more positive financial behaviors (Hershey et al., 2010). These social networks not only provide valuable information but also help reinforce goal clarity and decision-making confidence (Tomar et al., 2021). Furthermore, retirement goal clarity has been shown to mediate the relationship between psychological factors and planning behavior, emphasizing the importance of structured goal setting (Petkoska & Earl, 2009). Financial literacy also plays the crucial role retirement planning by strengthening individuals' capacity to make informed financial decisions and reduce risks associated with poor planning (Mutlu & Ozer, 2021). Addressing literacy gaps through targeted financial education can significantly improve preparedness across diverse populations.

Given the complex interplay of psychological and financial factors, this paper examines the determinants of retirement planning behavior among salaried professionals in Nepal. Specifically, it investigates the mediating role of retirement goal clarity in shaping financial preparedness. By integrating psychological constructs, this study develops a comprehensive framework for understanding retirement planning behavior and informing policy interventions aimed at enhancing financial security for aging populations. This research advances the existing literature by offering a context-specific examination of how psychological factors

and retirement goal clarity jointly influence retirement planning in a developing economy. Its outcomes provide valuable insights for policymakers, financial advisors, and educators in designing targeted interventions that promote financial well-being. Ultimately, the study's findings aim to contribute to improved retirement outcomes and quality of life for salaried professionals in Nepal and potentially other similar contexts.

2. Literature Review and Development of Hypotheses

Theoretical Foundation

The paper is theoretically based on Beach Image Theory, as proposed by Beach and Mitchell (1987), and the 3M Theory of Motivation and Personality, as proposed by Mowen (2000). Retirement planning behavior is shaped by a combination of psychological, social, and financial perceptions which also include role clarity, social involvement, financial obligations, and uncertain situations (Murari, Shukla, & Adhikari, 2021). These theoretical perspectives provide a structured understanding of the cognitive and behavioral processes underlying retirement planning.

The Beach Image Theory (Beach & Mitchell, 1987) asserts that individuals form mental representations of their future states, which in turn shape their decision-making processes. This theory is particularly relevant in financial planning, as individuals use mental imagery to create and refine their financial goals and strategies (Petkoska & Earl, 2009). The theory posits that decision-makers align their goals and actions with their personal values, thereby fostering incremental behavioral steps necessary for achieving long-term financial security. The 3M Theory of Motivation and Personality (Mowen, 2000) builds upon control theory, evolutionary principles, and trait theory to explain how personality traits influence motivation and behavior. This theory suggests that elemental traits emerge from genetic predispositions and early learning, shape compound traits. These compound traits can include future time perspective and financial risk tolerance. These, in turn, influence situational traits. The situational traits include goal clarity and planning behavior (Tomar et al., 2021). By integrating these theories, this study establishes a framework for understanding the interplay between personality traits, financial cognition, and planning for retirement.

Retirement Goal Clarity

Retirement goal clarity is an individual's ability to define and articulate their financial and lifestyle objectives for post-retirement life. According to Beach Image Theory, individuals who possess a clear and well-defined image of their future are more likely to involve in structured planning activities (Tomar et al., 2021). Empirical research underscores that retirement goal clarity significantly enhances financial preparedness by fostering disciplined savings behavior and long-term financial investments (Petkoska & Earl, 2009). Studies have demonstrated that individuals with explicit retirement goals are more inclined to actively engage in financial planning, which leads to increased financial stability and confidence (Ghadwan et al., 2023). Additionally, financial literacy programs that emphasize goal-setting strategies have been found to improve retirement planning behaviors (Niu & Zhou, 2017). Thus, it can be hypothesized as;

Hypothesis 1 (H1): There is a significant association between retirement goal clarity and retirement planning behavior.

Future Time Perspective

Future time perspective (FTP) represents an individual's inclination to consider long-term consequences when making financial decisions. According to psychological research, individuals with high FTP are likely to prioritize savings and investments over short-term

consumption (Rolison et al., 2013). The Theory of Planned Behavior supports this notion by suggesting that individuals with a positive attitude towards long-term financial planning are more likely to involve in proactive retirement behavior (Peng & Min, 2020). Kerry (2018) found that future time perspective is a crucial indicator of retirement planning, influencing both savings behavior and investment choices. Furthermore, studies indicate that a strong future orientation positively correlates with financial literacy, self-efficacy, and preparation for retirement (She et al., 2023).

Hypothesis 2 (H2): There is a significant association between future time perspective and retirement planning behavior.

Attitude towards Retirement

Attitude towards retirement has a significant influence on a person's behavior for financial planning. Research shows that individuals who perceive retirement as an opportunity for personal growth and leisure are more inclined to participate in structured financial planning (Indapurkar et al., 2024). Conversely, individuals who associate retirement with uncertainty and financial insecurity tend to delay or neglect retirement planning (Tomar et al., 2021). Peng and Min (2020) applied the Theory of Planned Behavior to examine retirement intentions among older employees. Their findings highlight that attitudes, subjective norms, and perceived behavioral control has a significant influence on post-retirement planning decisions. Similarly, Tomar et al. (2021) has identified a positive association between retirement attitudes and long term financial behavior.

Hypothesis 3 (H3): Attitude towards retirement has a significant association with retirement planning behavior.

Financial Risk Tolerance

Financial risk tolerance (FRT) is an individual's willingness to be involved in investment activities with varying degrees of risk. According to behavioral finance theories, risk-tolerant individuals are inclined to engage in market-based investments. This behavior of individuals contributes to the long-term security (Mubaraq et al., 2021). Studies suggest that individuals with a high level of risk tolerance are more inclined to invest in diversified financial products, thereby enhancing their retirement security (Ghadwan et al., 2023).

Hypothesis 4 (H4): There is a significant association between financial risk tolerance and retirement planning behavior.

Financial Self Efficacy

Financial self-efficacy (FSE) represents an individual's belief in their ability to manage financial resources effectively. Empirical research highlights that individuals with high level of self-efficacy (confident) are more likely to involve in proactive financial behaviors (Giri & Adhikari, 2023), including retirement planning (Tang, 2021). Additionally, financial self-efficacy influences goal-setting behavior, investment choices, and financial stress management (Mindra et al., 2017). Studies indicate that financial education interventions designed to boost self-efficacy lead to improved retirement preparedness and financial stability (Adee et al., 2024).

Hypothesis 5 (H5): There is a significant association between financial self-efficacy and retirement planning behavior.

Social Group Support and Retirement Goal Clarity as a Mediator

Social support system is an important factor in forming the financial planning behaviors. Research indicates that individuals who receive financial advice and encouragement from

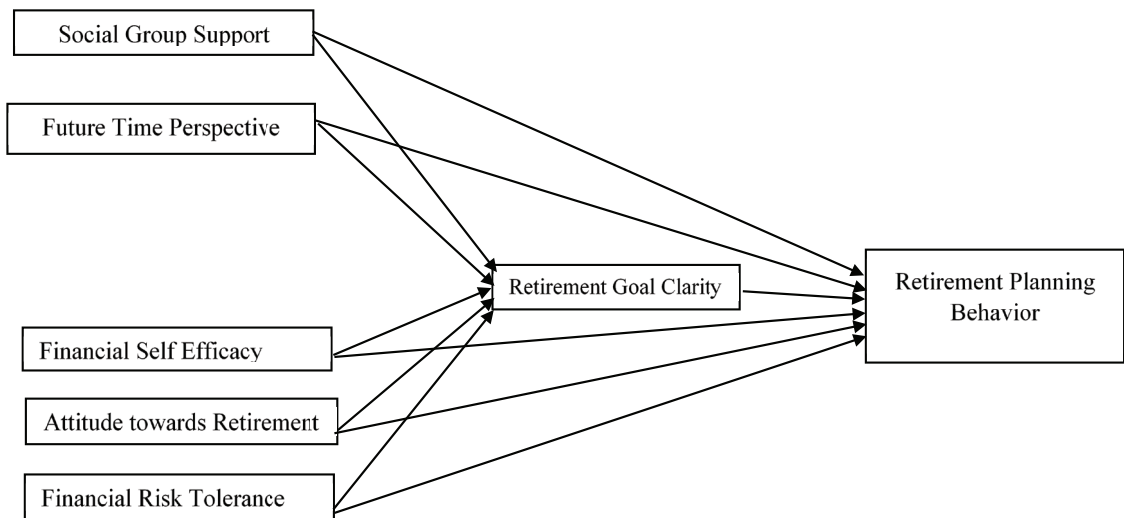
their social networks exhibit stronger financial preparedness (Hershey et al., 2010; Giri & Adhikari, 2023). Additionally, social group fosters goal clarity by reinforcing positive financial behaviors (Tomar et al., 2021).

Hypothesis 6 (H6): The relationship between the model constructs is mediated by retirement goal clarity.

By integrating psychological constructs, this paper provides a holistic information about of retirement planning behavior. The figure 1 i.e. conceptual framework has been developed.

Figure 1

Conceptual Framework



Source: (Ghadwan et al. (2023); Tomar et al. (2021))

3. Research Methods

Research Design

In this study, a quantitative cross-sectional research method was employed to empirically investigate the psychological drivers influencing retirement planning, with a focus on the mediating role of retirement goal clarity. The theoretical framework was developed with the objective of achieving generalizability across diverse settings and populations (Alkhwaldi et al., 2022; Chaudhary et al., 2025). A causal research design was adopted to examine the cause-and-effect relationships between independent psychological variables and the dependent variable of retirement planning, mediated by the clarity of retirement goals.

Population and Sample

The process of selecting a specific group of people from whom the data are collected is called targeting the population. Employees of service sector industries of the Kathmandu Valley are the target population. The primary method of sampling is purposive sampling. Purposive sampling highly enhances the trustworthiness of the data and thus the results become rigor of the research (Campbell et al., 2020). Due to the lack of predetermined list of employees of service sector, the data were collected by distributing the online questionnaire in various

social media channels (e.g., Instagram, Facebook, Viber and WhatsApp). Hair et.al. (2016) recommends the sample size should be five times (minimum) or ten times (maximum) larger than the items to be used. The sample size could range from 240 to 480. The study employed 426 sample and was considered for statistical analysis. The total number of questionnaires distributed was 450 and out of the 450 responses 426 responses were considered for statistical analysis, thus the response rate for the study was 94.67 percent.

Measurement

The measurement of psychological determinants in retirement planning was informed by previous literatures and utilized similar questions to assess the variable of interest. Social group support and financial risk tolerance was measured utilizing 6 items from (Tomar et al., 2021; Ghadwan et al., 2023) and future time perspective, retirement goal clarity, attitude towards retirement and financial-self efficacy was measured utilizing 5 items from Tomar et al., (2021). Retirement planning behavior utilized 9 items from Tomar et al., (2021). The 5 point Likert-Scale was used as measurement scale. On the 5 point Likert scale 1 was specified as “strongly disagree” and 5 was specified as “strongly agree”.

Cronbach alpha values were calculated to assess the reliability of each construct. According to Henseler et al. (2016), satisfactory value of reliability is considered to have been achieved if value is greater than .70 as measured by Cronbach’s alpha coefficient. Nunnally (1978) states that dropping the items with lower values of Cronbach’s alpha during the reliability test is appropriate as it would add little to model’s explanatory power. Hence in the study FTP5, ATR3, FRT1, SGS5, ATR5 and FSE1 were removed. Based on the result of the reliability, the values of Cronbach alpha ranged from .721 to .879 which is shown in the Table 1.

Table 1

Measurement

| Constructs | Cronbach’s alpha | Adapted from | Items | Items Removed |
|------------------------------|------------------|-----------------------|-------|---------------|
| Social Group Support | .739 | Tomar et al. (2021) | 6 | 1 |
| Future Time Perspective | .843 | Tomar et al. (2021) | 5 | 1 |
| Retirement Goal Clarity | .820 | Tomar et al. (2021) | 5 | - |
| Attitude Towards Retirement | .867 | Tomar et al. (2021) | 5 | 2 |
| Financial Risk Tolerance | .721 | Tomar et al. (2021) | 5 | 1 |
| Financial Self-Efficacy | .728 | Ghadwan et al. (2023) | 6 | 1 |
| Retirement Planning Behavior | .879 | Tomar et al. (2021) | 9 | - |

Research Model

The mediation model contains a single mediator M which is located between X and Y. In the situation of an assumption when there is no interaction between the variables X and M the product of a and b and the direct effect of X on c| is the indirect effect (Hayes, 2017).

$$M = i_M + aX$$

$$\hat{Y} = i_Y + c'X + bM$$

The various bootstrap distribution percentiles were used to formulate the confidence interval of the indirect effect. If the interval is completely above or below zero, this indicates that there is a claim of mediation, whereas if the confidence contains zero then it is not able to provide a definitive presence of mediation (Hayes, 2016).

4. Results and Analysis: Socio-Demographic Information

Demographic Profile of Respondents

| | Frequency | Percent |
|---------------------------------|-----------|---------|
| Gender | | |
| Male | 324 | 76.1 |
| Female | 102 | 23.9 |
| Age (in years) | | |
| Below 25 | 114 | 26.8 |
| 25-35 | 162 | 38.0 |
| 35-45 | 150 | 35.2 |
| Marital Status | | |
| Married | 136 | 31.9 |
| Unmarried | 281 | 66.0 |
| Separated | 9 | 2.1 |
| Academic Qualification | | |
| Upto SLC/SEE | 9 | 2.1 |
| Bachelors | 247 | 58.0 |
| Masters | 123 | 28.9 |
| Above Masters | 47 | 11.0 |
| Employment Status | | |
| Employed | 426 | 100 |
| Income Level | | |
| 20,000-30,000 | 167 | 39.2 |
| 30,000-40,000 | 56 | 13.1 |
| 40,000-50,000 | 42 | 9.9 |
| More than 50,000 | 161 | 37.8 |
| Employment Sector | | |
| Hospitality sector | 145 | 34.0 |
| Bank and Financial Institutions | 265 | 62.2 |
| Health care sector | 16 | 3.8 |

A total of 426 responses were considered for analysis. The gender demographics of the data consisted of 76.1% male and 23.9% female. The majority of the respondents were from the age group of 25 to 35 which is 38% of the total sample. In the demographics of academic qualification 58% of the total respondents have attained bachelor's degree.

Descriptive Statistics

The mean values of the constructs social group, time perspective and goal clarity all have mean score above 3.5 which indicates that the majority of the respondents tend towards fair and agree options of the Likert scale measurement. Similarly, the variables attitude towards retirement, financial risk tolerance and financial self-efficacy mean scores ranged from 3.1 to 3.5 which indicates that the respondents tend towards fair to agree on the Likert Scale. The values of standard deviation of the constructs all fall in the range from 0 to 1.

Table 3

Descriptive Statistics of Constructs

| | No. of Respondents | Mean Values | Standard Deviation |
|------------------------------|--------------------|-------------|--------------------|
| Social Group Support | 426 | 3.9136 | .68918 |
| Future Time Perspective | 426 | 3.9783 | .71659 |
| Retirement Goal Clarity | 426 | 3.6521 | .74871 |
| Attitude towards Retirement | 426 | 3.4507 | .98581 |
| Financial Risk Tolerance | 426 | 3.1485 | .87756 |
| Financial Self-Efficacy | 426 | 3.1216 | .77984 |
| Retirement Planning Behavior | 426 | 3.4249 | .82580 |

Table 4

Correlation Analysis

| Variable | SGS | FTP | RGC | ATR | FRT | FSE | RPB | |
|----------|-----|-----|--------|--------|--------|--------|--------|--------|
| SGS | | 1 | .601** | .269** | .169** | .239** | .180** | .293** |
| FTP | | | 1 | .607** | .437** | .419** | .269** | .567** |
| RGC | | | | 1 | .659** | .423** | .293** | .698** |
| ATR | | | | | 1 | .327** | .313** | .667** |
| FRT | | | | | | 1 | .445** | .437** |
| FSE | | | | | | | 1 | .364** |
| RPB | | | | | | | | 1 |

N=426

***. Correlation is significant at the 0.01 level (2-tailed).*

Note: SGS=social group support, FTP=future time perspective, RGC=retirement goal clarity, ATR=attitude towards retirement, FRT=financial risk tolerance, FSE=financial self-efficacy, RPB=retirement planning behavior

Table 4 shows the correlation matrix of the independent variables SGS, FTP, RGC, ATR, FRT, and FSE with consideration of the dependent variable RPB. The variables which are taken into account in the study show positive correlation. RGC shows the highest degree of positive correlation ($r=.698$, $p=.000$) followed by ATR ($r=.667$, $p=.000$). SGS, FTP FRT and FSE all show positive correlation of .293, .567, .437, .364 at $p=.000$.

Table 5

Regression Analysis

| Model | | | t | Sig. | Collinearity Statistics | |
|-------------------------|---------|------------|---------|-------|-------------------------|-------|
| | B | Std. Error | | | Tolerance | VIF |
| (Constant) | -.165 | .180 | -.915 | .360 | | |
| SGS | .024 | .047 | .523 | .601 | .620 | 1.612 |
| FTP | .184 | .055 | 3.344 | .001 | .410 | 2.438 |
| RGC | .349 | .052 | 6.724 | .000 | .424 | 2.358 |
| ATR | .277 | .035 | 7.987 | .000 | .547 | 1.829 |
| FRT | .082 | .035 | 2.348 | .019 | .681 | 1.468 |
| FSE | .087 | .037 | 2.340 | .020 | .767 | 1.303 |
| Adjusted R Squared .601 | | | | | | |
| F | 107.570 | | Sig (F) | .0000 | | |

Table 5 provides the summary of regression analysis along with the values of VIF and tolerance. The adjusted R squared value of the regression model is 0.601 which indicates that the independent variables of the study explains 60.1% of variation. The F value of the model is 107.570 with a significant value of .000 which shows the impact of the independent variables on retirement planning behavior. According to (Shrestha, 2020) if the values of VIF range in between $1 < VIF < 5$ the variables are moderately correlated and the value of VIF equals to 1 indicates no correlation between the independent variables. There is no multi-collinearity between the independent and the dependent variables. Thus, with the significant values of .000, .001, .000, .019 and .020, there is a significant relationship of RGC, FTP, ATR, FRT and FSE between RPB. From the results of the regression analysis, the hypothesized hypotheses H1, H2, H3, H4 and H5 are accepted. A significant association is not seen between social group support and the dependent variable retirement planning behavior from the regression analysis. According to (Minarhadi et al. (2024), social support has no association with retirement planning. Retirement goal clarity has a significant association with retirement planning.

Table 6 shows the mediation analysis conducted by using the Hayes PROCESS Macro. The result of the analysis indicated that the presence of the mediator all had a significant direct impact on RPB. Thus, the association between the constructs (social group support, future time perspective, financial self-efficacy, attitude towards retirement and financial risk tolerance) and retirement planning behavior is partially mediated by retirement goal clarity. The Hypothesis H6 is accepted that retirement goal clarity mediates the relationship of the model constructs.

Table 6*Mediation Analysis*

| Relationship | Total Effect | Direct Effect | Indirect Effect | Confidence Interval | | t-statistics | Mediation (Partial/ Full) |
|--------------|--------------|---------------|-----------------|---------------------|-------------|--------------|----------------------------|
| | | | | Lower Bound | Upper Bound | | |
| SGS→RGC→RPB | .3514 | .1361 | .2153 | .2420 | .4607 | 6.3155 | Partial |
| p-value | .0000 | .0016 | | | | | |
| FTP→RGC→RPB | .6538 | .2624 | .3914 | .5632 | .7444 | 14.1858 | Partial |
| p-value | .0000 | .0000 | | | | | |
| FSE→RGC→RPB | .3851 | .1842 | .2008 | .2909 | .4792 | 8.0379 | Partial |
| p-value | .0000 | .0000 | | | | | |
| ATR→RGC→RPB | .5587 | .3065 | .2522 | .4991 | .6183 | 18.4315 | Partial |
| p-value | .0000 | .0000 | | | | | |
| FRT→RGC→RPB | .4116 | .1632 | .2484 | .3308 | .4924 | 10.0150 | Partial |
| p-value | .0000 | .0000 | | | | | |

5. Discussion

This study delves into the psychological determinants influencing retirement planning behavior among salaried professionals in Nepal, emphasizing the mediating role of retirement goal clarity. The findings underscore the pivotal role of psychological constructs—such as future time perspective, financial self-efficacy, financial risk tolerance, and social group support—in shaping retirement planning behaviors. Consistent with prior research, this study identifies retirement goal clarity as a significant predictor of proactive retirement planning behavior. Beach and Mitchell (1987) highlighted the importance of clear goal setting in facilitating effective financial planning. Our findings align with this perspective, demonstrating that individuals with well-defined retirement goals are more inclined to engage in systematic financial preparation. This is further corroborated by Petkoska and Earl (2009), who emphasized that goal clarity enhances focus and resource allocation towards retirement objectives.

The mediation analysis reveals that social group support and future time perspective significantly influence retirement planning behavior through their impact on retirement goal clarity. This aligns with the conceptual framework proposed by Tomar et al. (2021), which posits that psychological constructs serve as intermediaries between external influences and financial planning outcomes. Specifically, individuals embedded in supportive social networks are more likely to receive encouragement and information pertinent to retirement planning, thereby enhancing goal clarity. Similarly, a strong future time perspective fosters long-term planning and goal setting, as individuals with a forward-looking orientation are more attuned to the benefits of early and consistent retirement preparation.

The study also highlights the significant role of financial self-efficacy in retirement planning behavior. This finding resonates with the work of Asebedo et al. (2018), who identified financial self-efficacy as a critical factor in empowering individuals to make informed financial decisions

and maintain effective retirement strategies. Moreover, financial risk tolerance emerges as a pertinent factor, suggesting that individuals comfortable with financial risks are more likely to engage in investment behaviors conducive to retirement planning. This observation is consistent with the findings of Mubaraq et al. (2021), who reported that higher risk tolerance is associated with increased participation in long-term financial products. While the influence of psychological factors on retirement planning is well-documented in developed countries (Hershey et al., 2010; Farrar et al., 2018), this study contributes to the literature by examining these dynamics within the socio-cultural context of Nepal. The unique cultural norms, economic conditions, and levels of financial literacy in Nepal necessitate tailored strategies for enhancing retirement planning behaviors. For instance, integrating financial education programs that consider local cultural values and leveraging community-based support systems may prove effective in promoting retirement preparedness.

The findings underscore the importance of designing interventions that enhance retirement goal clarity and address psychological determinants of financial behavior. Policymakers and employers should consider implementing workplace training and financial education programs that foster future-oriented thinking, bolster financial self-efficacy, and encourage proactive retirement planning. Such initiatives are particularly crucial in developing economies like Nepal, where structured support for retirement planning is often limited.

6. Conclusion

This study examined the psychological determinants influencing retirement planning behavior among salaried professionals in the Kathmandu Valley. Employing a combination of descriptive and causal research designs, data were collected from 426 individuals using a structured questionnaire. The analysis, conducted through Microsoft Excel, SPSS, and the PROCESS Macro, revealed that factors such as social group support (SGS), future time perspective (FTP), financial self-efficacy (FSE), attitude toward retirement (ATR), and financial risk tolerance (FRT) significantly impact RPB. Particularly, retirement goal clarity (RGC) emerged as a mediating variable, elucidating the pathway through which these psychological factors influence retirement planning. The findings underscore the critical role of psychological constructs in shaping retirement planning behaviors. By identifying key determinants, the study highlights the necessity of fostering a proactive mindset toward retirement. The mediating effect of RGC emphasizes the importance of targeted interventions that address both cognitive and behavioral aspects of financial preparation, particularly in developing countries where social protection systems may be underdeveloped.

The theoretical underpinnings of this research are grounded in Beach's Image Theory and Mowen's 3M Model of Motivation and Personality. Image Theory posits that individuals make decisions based on the compatibility of options with their internal images, including value, trajectory, and strategic images. In the context of retirement, this theory suggests that individuals evaluate retirement options based on how well they align with their personal goals and values. The 3M Model provides a hierarchical framework linking elemental personality traits to surface-level behaviors through compound and situational traits. This model elucidates how underlying personality traits, such as future time perspective and financial self-efficacy, influence retirement planning behaviors. Empirical data from service sector employees in the Kathmandu Valley validate these theoretical propositions, demonstrating the applicability of these models in the Nepalese context. The integration of psychological theories with empirical findings offers a comprehensive understanding of retirement planning behavior, informing policy interventions aimed at enhancing financial security for aging populations.

7. Implications

The findings of this study underscore the critical need for comprehensive retirement planning initiatives among salaried employees. Implementing targeted workshops and seminars focusing on risk tolerance, retirement goal clarity, and long-term financial planning can significantly enhance employees' preparedness for retirement. Such educational programs not only serve as valuable knowledge bases but also promote proactive planning behaviors, particularly among individuals who might otherwise be excluded from traditional financial advisory services. Organizations, even those facing financial constraints, can integrate these programs into existing employee development initiatives, thereby addressing workforce concerns while simultaneously boosting overall productivity and employee satisfaction. From a policy perspective, it is imperative to address the broader implications of financial literacy and retirement preparedness. Financial institutions and governmental authorities can collaborate to elevate public awareness about the importance of setting clear retirement goals and the benefits of early and consistent savings. Incentivizing retirement planning through tax benefits and matching contributions can further motivate individuals to engage in long-term financial planning. Moreover, introducing financial education at the school and college levels can lay a strong foundation for future generations, equipping them with the necessary skills to navigate their financial futures effectively. Such early interventions have been shown to positively influence financial behaviors, leading to improved retirement outcomes.

Thus, a multifaceted approach that combines organizational initiatives, policy interventions, and early educational programs is essential to enhance retirement planning behaviors. By addressing both the psychological and practical aspects of financial preparedness, stakeholders can foster a more financially secure and resilient workforce.

8. Limitations and Directions for Future Research

The focus of the study was on the employees of service sector of the Kathmandu Valley. Thus, the conclusions from the study might not apply to other environment. The generalizability cannot be drawn due to the variation in the economics, perception of the individuals of that particular environment. Only few variables were taken in the study and the future researchers could focus on adding different variables in conducting the mediation and mediating and moderating variables to know the psychological determinants of retirement planning behavior. Similarly, due to the lack of the availability of the list of service sector employees the results cannot be generalized. Even though the association between the variables is dynamic, the paper uses a cross-sectional method, meaning that the study was conducted at a single point in time. Thus, future researchers can use a longitudinal research approach to further study the psychological determinants on retirement planning.

Conflict of Interest

Authors declare no conflict of interest while preparing this article.

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Appendix

| Constructs | Items | Statements |
|--|-------|---|
| Social Group Support (SGS) | | |
| | SGS1 | My close ones believe it's important to save for retirement. |
| | SGS2 | My friends believe it's important to save for retirement. |
| | SGS3 | My colleagues at work believe it's important to save for retirement. |
| | SGS4 | Saving was an important lesson I learned as a child. |
| | SGS5 | My family members are indifferent about saving for retirement. |
| | SGS6 | My parents did a good job planning and saving for their own retirement. |
| Future time Perspective (FTP) | | |
| | FTP1 | I like to think about what the future will hold. |
| | FTP2 | I enjoy thinking about how I will live years from now in the future. |
| | FTP3 | I look forward to life in distant future. |
| | FTP4 | It is important to have a long term perspective in life. |
| | FTP5 | My close friends would describe me as future oriented. |
| Retirement Goal Clarity (RGC) | | |
| | RGC1 | I think a great deal about quality of life I want to lead after retirement. |
| | RGC2 | I set specific goals regarding how much I will need to save for my retirement. |
| | RGC3 | I have a clear vision of how my life shall be after retirement. |
| | RGC4 | I have set clear goals for gaining information about retirement. |
| | RGC5 | I have discussed retirement plans with spouse, friends or significant others. |
| Attitude towards Retirement (ATR) | | |
| | ATR1 | Retirement will enable me to pursue my unfulfilled dreams. |
| | ATR2 | I look forward to retirement. |
| | ATR3 | I am worried about my life after retirement. |
| | ATR4 | I expect that being retired will make me feel useless. |
| | ATR5 | My attitude towards retirement influences my planning and saving behavior for financial security during retirement. |

| | | |
|------------------------------------|------|--|
| Financial Risk Tolerance (FRT) | | |
| | FRT1 | I prefer a “sure thing” over a gamble when planning for retirement. |
| | FRT2 | I prefer those investments which have higher returns even if they are riskier. |
| | FRT3 | The overall growth potential of a retirement investment is more important to me than the level of risk associated with the investment. |
| | FRT4 | I am very much willing to make risky investments in order to ensure financial stability in retirement. |
| | FRT5 | I would never choose the safest investment when planning for retirement. |
| Financial Self Efficacy (FSE) | | |
| | FSE1 | I can always manage to solve difficult problems if I try hard enough. |
| | FSE2 | It is hard to stick to my spending plan when unexpected expense arise. |
| | FSE3 | When unexpected expense occur, I usually have to use credit. |
| | FSE4 | I lack confidence in my ability to manage my finances. |
| | FSE5 | I worry about running out of money in retirement. |
| | FSE6 | I can remain calm when facing difficulties because I can rely on my coping abilities. |
| Retirement Planning Behavior (RPB) | | |
| | RPB1 | Calculations have been made to estimate how much I have to save to retire comfortably. |
| | RPB2 | I frequently read articles, books, brochures or surf the internet to learn about retirement planning. |
| | RPB3 | I have informed myself about the level of my future pension benefits. |
| | RPB4 | I have informed myself about financial preparation for retirement. |
| | RPB5 | I have made regular contributions to a voluntary retirement savings plan. |
| | RPB6 | Relative to my peers, I have saved a great deal (almost double) of money for post-retirement years. |
| | RPB7 | I regularly contribute a fixed percentage of my income to my retirement saving account. |
| | RPB8 | I make a conscious effort to save for retirement. |
| | RPB9 | Based on how I plan to live my life in retirement, I have saved accordingly. |